

# Tax and Investment Guide 2019

What You Need to Know

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(Canada except Quebec)



**NATIONAL  
BANK**

**DIRECT BROKERAGE**

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## Disclaimer

The information in this guide is for informational purposes and should in no way be regarded as legal or tax advice. Clients should always consult their accountant or tax specialist before taking action based on the information found in this guide.

## Introduction

This guide has been prepared by National Bank Direct Brokerage ("NBDB") to present the various tax slips you may receive from us. You will find information regarding the government tax slips and associated summaries. This guide is specifically intended for individuals residing in Canada. Canadians residing in Quebec should consult the Tax and Investment Guide 2019 (Quebec), which contains specificities regarding provincial taxation. Corporations, trusts and Canadian non-residents should refer to their accountant or tax specialist to help them in preparing and completing their Income Tax and Benefit Return.

Please note that this document is not meant to be an exhaustive reference on how to report income and capital gains and losses. We strongly recommend that individuals consult an accountant or tax specialist to complete their tax return. This guide is a brief summary covering federal taxation. However, some provinces have specific requirements to be considered by individuals residing in those provinces.

## Useful Links

Canada Revenue Agency (CRA):

- Website (home page): <https://www.canada.ca/en/revenue-agency.html>
- "My Account" for individuals: <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>
- Income Tax Package (see 2019 version): <https://www.canada.ca/en/revenue-agency/services/forms-publications/tax-packages-years.html>

## Mailing Deadlines for the Various Tax Slips

Below is a table of the various government tax slips and summaries potentially needed to prepare your tax return. Please note that these documents reflect the transactions and income recorded during the calendar year and some slips may not apply to your situation. Before completing your tax return, we ask you to ensure you have received all of your slips. This will avoid having to file an amended tax return. Note that the various summaries can be used as tools in verifying your tax slips.

Non-registered Investments			
Type of income/fees	Slip/Summary	Mailing Deadline <sup>1</sup>	Received
Dividends, interest, foreign income	T5 <i>Investment Income Summary</i>	March 2, 2020	
Interest paid and investment fees	<i>Investment Income Summary</i> <sup>2</sup>	March 2, 2020	
Realized gains and losses	T5008 <i>Securities Transactions Summary</i>	March 2, 2020	
Distributions from a trust	T3 <i>Summary of Trust Income</i> <sup>2</sup>	March 30, 2020	
Partnership	T5013	March 30, 2020 <sup>3</sup>	
Registered Investments			
Withdrawal from a registered investment account:		March 2, 2020	
RRSP	T4RSP		
RIFF/LIF/LRIF	T4RIF		
RESP	T4A		

<sup>1</sup> – Government-prescribed date.

<sup>2</sup> – This summary is not government-prescribed, but NBDB commits to issuing it at the specified date if needed. Customized summaries allow you to ensure you have received all your slips.

<sup>3</sup> – Since some trusts and limited partnerships do not release the information before the authorized deadline, you may receive your slips only in mid-April.

RRSP contributions	
First 60 days of 2019	You should have received your contribution slip in March 2019.
Rest of the year 2019	You should receive your contribution slip in January 2020.
First 60 days of 2020	You should receive your contribution slip in March 2020.

## T3 Slip – Statement of Trust Income (Allocations and Designations)

If you hold investments in income trusts (usually referred to as “mutual funds”), royalty trusts and real estate investment trusts (REITs), you will receive a T3 Slip and a *Summary of Trust Income* specifying amounts and the nature of these distributions in your account.

Canada Revenue Agency / Agence du revenu du Canada		Year / Année	20XX		STATEMENT OF TRUST INCOME ALLOCATIONS AND DESIGNATIONS ÉTAT DES REVENUS DE FIDUCIE (RÉPARTITIONS ET ATTRIBUTIONS)		T3
Actual amount of eligible dividends Montant réel des dividendes déterminés		Taxable amount of eligible dividends Montant imposable des dividendes déterminés		Dividend tax credit for eligible dividends Crédit d'impôt pour dividendes déterminés		Capital gains Gains en capital	
49 0 00		50 0 00		51 0 00		21 273212 10	
Actual amount of dividends other than eligible dividends Montant réel des dividendes autres que des dividendes déterminés		Taxable amount of dividends other than eligible dividends Montant imposable des dividendes autres que des dividendes déterminés		Dividend tax credit for dividends other than eligible dividends Crédit d'impôt pour dividendes autres que des dividendes déterminés		Capital gains eligible for deduction Gains en capital admissibles pour déduction	
23 0 00		32 0 00		39 0 00		30 0 00	
Other income Autres revenus		Trust year end Fin d'année de la fiducie					
26 53999 56		Year / Année 14		Month / Mois 12			
Other information (see the back) Autres renseignements (lisez le verso)		Box / Case		Amount / Montant		Footnotes – Notes	
						NATIONAL BANK DIRECT BROKERAGE 1100, BOUL. ROBERT-BOURASSA, 7 <sup>TH</sup> FLOOR MONTRÉAL, QC H3B 2G7	
Recipient's name (last name first) and address – Nom, prénom et adresse du bénéficiaire				Trust's name and address – Nom et adresse de la fiducie			
→ FIRST NAME SURNAME PRÉNOM NOM ADDRESS ADRESSE XXXXXX							
Recipient identification number Numéro d'identification du bénéficiaire		Account number Numéro de compte		Report code Code du genre de feuillet		Beneficiary code Code du bénéficiaire	
12 000000000		14 T NIL		16 A		18 1	
T3 (XX)		For information, see the back. Pour obtenir des renseignements, lisez le verso.					

Please note that mutual fund companies generally issue their own tax slips. You should receive a T3 slip for each separate mutual fund. For example, if you own a “Canadian Corporation” mutual fund and a “Fixed Income” mutual fund from ABC Company Mutual Inc., you should receive two T3s from ABC Company Mutual Inc. You should wait to receive all your slips before filing your income tax return.

Note that several fund companies issue consolidated T3 slips; if you deal with one of these companies, you will receive one (consolidated) slip.

You can now use the CRA's “My Account” and the auto-fill application to help in the preparation of your tax return. However, please note that the T3 slips are issued under the name of the Trusts and you will not find NBDB's name on your T3 slips. The information shown on your T3 slips will be reported in the name of each trust listed in the CRA's “My Account”; you must therefore refer to the details on your *Summary of Trust Income* to reconcile the amounts reported.


### Income reported on your T3 may include:

- ▶ Interest and other income
- ▶ Eligible dividends from taxable Canadian corporations
- ▶ Dividends other than eligible dividends from taxable Canadian corporations
- ▶ Foreign non-business income
- ▶ Capital income
- ▶ Capital gains

### Summary of Trust Income

The *Summary of Trust Income* is issued by NBDB. It provides detailed information regarding each trust, the nature of the distributions, as well as the associated boxes in chronological order. This information will allow you to reconcile your T3 slip from each trust.

Most of the expenses in the section "Paid by You" are associated with foreign withholding taxes.



1100 Robert Bourassa Blvd., 7th Floor, Montreal, QC H3B 2G7  
nbdb.ca

**SUMMARY OF TRUST INCOME 20XX**  
(Excluding Mutual Funds)

FIRST NAME SURNAME  
ADDRESS  
ADDRESS  
ADDRESS

Reference  
XXXXX

Investment Advisor  
CDBN

Telephone

S.I.N.  
000 000 000

Resident  
QUEBEC

DATE 20XX	QUANTITY	DESCRIPTION	T3/REL16 BOX NO.	PAID BY YOU	AMOUNT PAID TO YOU
<b>YOUR CANADIAN ACCOUNT XX-XXXX-X</b>					
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
(26/G)		OTHER INCOME			7.81
(42/M)		RETURN OF CAPITAL *			41.69
<b>TOTAL</b>					
(26/G)		OTHER INCOME			7.81
(42/M)		RETURN OF CAPITAL *			41.69

## Detailed description of each type of income:

### Interest and other income

Interest and other income (e.g., rental income) are reported in box 26 “Other income” on the T3 slip.

### Dividends from taxable Canadian corporations

The actual amount (not grossed-up) of eligible dividends received by the unit holder is reported in box 49 of the T3 slip. This amount is not the one to be used in your tax return. Instead, the taxable amount (grossed-up) shown in box 50 of the T3 slip should be the amount included in your tax return. You will be entitled to a dividend tax credit which is shown in box 51 of the T3 slip. The components of the “grossed-up dividend” and dividend tax credit are part of the integration mechanism of income earned by a corporation. Since dividends represent a distribution of corporate profits after taxes, adjustments (gross-up and credit) must be made in order to avoid double taxation on this income.

The actual amount (not grossed-up) of dividends other than eligible dividends received by the holder is reported in box 23 of the T3 slip. Once again, this amount is not to be used in the tax return of the individual. The amount shown in box 32, the taxable amount (grossed-up), should be reported. The credit for dividends other than eligible dividends will be shown in box 39.

### Dividends from foreign corporations

Please note that dividends from foreign corporations (American, European, etc.) will be reported in box 25. These will not be grossed-up and are not entitled to a tax credit, as the integration mechanism applies only to dividends from Canadian corporations.

### Foreign non-business income

For Canadian tax purposes, there is no difference between foreign interest and dividend income. All gross (prior to withholding) foreign income received by the trust will be found in box 25 of the T3 slip. Please note that foreign income is generally subject to a foreign withholding tax in the country of origin. Although you have received the amount after deduction of the foreign withholding tax, you must report the gross amount. You cannot deduct the foreign tax amount directly from the gross income, but you may be entitled to a foreign tax credit for a portion of the amounts withheld. The foreign withholding tax, which could entitle you to a foreign tax credit, can be found in box 34 of the T3 slip. Please note that if the investment is held in a registered account, the withheld amounts cannot be recovered through the foreign tax credit.

### Capital gains/Capital losses

Trust investments may generate capital gains (or losses) with the sale of underlying assets. Only capital gains will be allocated to unitholders based on an allocation provided by the investment manager of the trust. The capital gain will be reported in box 21 of the T3 slip and will retain its character. 50% of capital gains are not taxable and must reduce the capital loss otherwise realized in the same year. All of these elements are covered in *Schedule 3 – Capital gains (or losses) of your Income Tax and Benefit Return* for the current year.

### Capital income

The amount in box 42 of the T3 slip represents a distribution of a return of capital from the trust. Note that this amount is not taxable and does not have to be included in your tax return. However, this amount must be considered when calculating the adjusted cost base (“ACB”) of your trust units. The ACB of your trust units will be reduced by the return of capital. Please keep this information to validate that the ACB adjustment has been made.



## FAQ – T3 Slip

- Q: My T3 slip and *Summary of Trust Income* refer to a capital gain but I have received nothing in my account; do I have to report these amounts?

A: Yes, these amounts must be reported. Sometimes, capital gains known as "phantom distributions" (non-cash distributions) are attributed by mutual funds without any actual payment made to the account. You must generally, thereafter, make an ACB adjustment if this has not already been done. In order to obtain accurate information on these distributions, please refer to the mutual fund's website.

- Q: Why did I receive my T3 slip so late in the month of April?

A: Trust companies must also file tax returns. Coordination between these filings and the issuance of the slips is often the reason they wait until the prescribed limit (i.e., 90 days after year-end) before providing the issuers with the necessary data to produce the T3 slips, which in turn leads to filing delays.

- Q: Why did I receive an amended T3 slip?

A: As previously mentioned, trust companies prepare, very tardily, the information related to their distributions to coordinate them with their own returns. Sometimes, corrections are required after the deadline that may result, amongst other causes, from adjustments or errors in their tax return.

- Q: I received a T3 slip from NBDB. However, I do not find any T3 slips issued in NBDB's name in the CRA's "My Account". Why?

A: T3 slips are issued by NBDB, but on behalf of the different trusts. The income shown on the T3 slip you received will be displayed in the trust's name in the CRA's "My Account". You will not find any T3 slips in the name of NBDB. In order to reconcile the trust information set out in the CRA's "My Account", you must refer to the details provided in your *Summary of Trust Income*.

## Joint accounts

Note that when an account is jointly held between spouses, the client must allocate the income, the gains and the losses generated based on each individual's contribution, even if only one tax slip is issued.

Hence, tax legislation applies attribution rules, disallowing income splitting in certain situations involving gifts and loans to spouses or common-law partners and minor children.



## T5 Slip – Statement of Investment Income

The T5 is used to report dividend income, interest income and foreign taxes paid on your investments held in a non-registered account. The amounts in the boxes of the T5 represent the total of the amounts shown on the *Investment Income Summary*. You will receive a separate T5 if you hold a U.S. dollar-denominated account. Please note that the slip will not be issued if the total investment income is less than \$50. However, you must still include this income in your tax return. Note that the income from discount bonds, such as Treasury Bills and commercial paper are not included on the T5, but they must also be reported.

If you own shares of a split share corporation, you will receive a separate T5 for expenses and income related to investments in this stock class. In addition, you may also receive a T5 if you hold shares in a real estate investment trust (REIT) or shares of U.S. limited capital investment funds.

Moreover, incorporated mutual funds (that are not trusts) also issue T5 slips to report their dividend distributions and allocation of capital gains.

Canada Revenue Agency / Agence du revenu du Canada		<b>T5 STATEMENT OF INVESTMENT INCOME</b> ÉTAT DES REVENUS DE PLACEMENTS		Year / Année: 20XX		Protected B / Protégé B when completed / une fois rempli	
24	Dividends from Canadian corporations – Dividendes de sociétés canadiennes Actual amount of eligible dividends Montant réel des dividendes déterminés 1188.74	25	Taxable amount of eligible dividends Montant imposable des dividendes déterminés 1640.46	26	Federal credit – Crédit fédéral Dividend tax credit for eligible dividends Crédit d'impôt pour dividendes déterminés 246.39	13	Interest from Canadian sources Intérêts de source canadienne
10	Actual amount of dividends other than eligible dividends Montant réel des dividendes autres que des dividendes déterminés	11	Taxable amount of dividends other than eligible dividends Montant imposable des dividendes autres que des dividendes déterminés	12	Dividend tax credit for dividends other than eligible dividends Crédit d'impôt pour dividendes autres que des dividendes déterminés	21	Report Code Code du feuillet 0
Other information (see the back) / Autres renseignements (voir au verso)		15	Box / Case: 49.98 Amount / Montant	16	Box / Case: 7.49 Amount / Montant	22	Recipient identification number Numéro d'identification du bénéficiaire 000 000 000
Recipient's name (last name first) and address – Nom, prénom et adresse du bénéficiaire				Payer's name and address – Nom et adresse du payeur			
FIRST NAME SURNAME PRÉNOM NOM ADDRESS ADRESSE				NATIONAL BANK DIRECT BROKERAGE 1100, BOUL. ROBERT-BOURASSA, 7 <sup>TH</sup> FLOOR MONTRÉAL, QC H3B 2G7			
Currency and identification codes / Codes de devise et d'identification		27	CAD	28		29	XXXXXX
		Foreign currency / Devises étrangères		Transit – Succursale		Recipient account / Numéro de compte du bénéficiaire	

For information, see the back. / Pour obtenir des renseignements, lisez le verso.

Privacy Act, Personal Information Bank number CRA PPU 150 and CRA PPU 005 / Loi sur la protection des renseignements personnels, Fichiers de renseignements personnels ARC PPU 150 et ARC PPU 005 T5 (XX)

## Dividends from taxable Canadian corporations

Essentially, the tax implications associated with a dividend will depend on the type of dividend you received. A dividend paid by a taxable Canadian corporation can be classified, very generally, as either an “eligible dividend” or a “dividend other than an eligible dividend”. The tax implications and rates applied to each type of dividend reflect the underlying taxation of income earned in the corporation. Put simply, corporate income that has been taxed at a higher rate (at the general corporate tax rate) can be paid out as “eligible dividends” and, therefore, taxed in your hands at a lower tax rate. Earnings which were taxed at a lower corporate tax rate will be paid as “dividends other than eligible dividends” and taxed in your hands at a higher tax rate. Finally, a dividend gross-up and a dividend tax credit apply to the dividends you receive from Canadian corporations. This mechanism ensures that the combined corporate and personal tax paid on income approximates the tax that would be paid by an individual who earns the income directly (concept of “integration”).

### 1 – Eligible dividends

Eligible dividends paid to you during the year are found in box 24 of the T5 slip. However, this is not the amount to be reported in your return; you must report the grossed-up amount shown in box 25 – Taxable amount of eligible dividends. This amount is equal to box 24 multiplied by 1.38. In addition, you will find the tax credit for eligible dividends in box 26.

### 2 – Dividends other than eligible dividends (or “non-eligible dividends”)

Dividends other than eligible dividends paid to you over the year are found in box 10 of the T5 slip. However, this is not the amount to be reported in your return; you must report the grossed-up amount shown in box 11 of the T5 slip – Taxable amount of dividends other than eligible dividends. This amount is equal to box 10 multiplied by 1.15. In addition, you will find the tax credit for non-eligible dividends in box 12.

## Foreign income

Earnings from dividends, interest or any other type of foreign income are shown in box 15 of the T5. The tax paid to the foreign country pertaining to such income is reported in box 16 of the T5 slip. All types of foreign income are grouped together in the same box. The Canadian tax system makes no distinction between them: they are taxed in the same way. The foreign tax credit mechanism will allow you to recover a portion of the tax paid in the foreign country in your tax return.

## Foreign spin-off

For Canadian tax purposes, when a reorganization occurs and a foreign corporation issues shares of a new corporation, the value of these new shares must be reported as a foreign dividend (box 15 of the T5 slip) when the shares are held in a non-registered account. The event is generally taxable in Canada, even if there are no tax implications in the foreign country.

However, a tax deferral may be possible when the foreign spin-off meets certain requirements of the *Income Tax Act* (the Act governing Canadian federal income taxes, hereinafter referred to as “the ITA”). To take advantage of this deferral, foreign corporations must provide the CRA with information on the spin-off. Foreign corporations usually provide the CRA permission to publish the fact that their “spin-off shares” are eligible for the tax deferral. Thus, eligible foreign spin-offs are usually listed on the CRA’s website at the following address:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/eligible-spin-offs.html>

Please note that even if you own “eligible spin-off shares”, the amount will be reported on the T5 slip (box 15). To take advantage of the tax deferral, the taxpayer must follow the CRA’s procedures as described on their website, at the following page:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/information-canadian-shareholders.html>

## Interest on linked notes

Following regulatory changes in 2017 regarding the disposition or transfer of equity linked notes prior to their maturity, all gains realized at the time of disposition or transfer must be considered as accrued interest. This interest must be declared in box 30 of the T5 slip. Box 21 of the T5008 (proceeds of disposition) will not include the interest declared on the T5.

## Accrued interest

Accrued interest during the year on discount debt securities (e.g., strip coupons and residual bonds) and compound interest debt securities (e.g., Guaranteed Investment Certificates) must be reported annually, even if interest was not paid. Interest amounts are included in box 13 of the T5 slip, with the exception of interest on stripped coupons and residual bonds listed on a separate slip issued for this purpose.


## Transfer of securities to a registered account

If savings bonds or other types of bonds are transferred with accrued interest to a Registered Retirement Savings Plan ("RRSP"), a Registered Disability Savings Plan ("RDSP"), a Tax-Free Savings Account ("TFSA") or a Registered Education Savings Plan ("RESP"), these will be included on the T5 slip and will also be shown on the Investment Income Summary.

## Investment Income Summary

This summary lists, in chronological order, all the investment income paid to your non-registered accounts during the period.

In addition, it contains information on the interest you paid during the year, for example, interest on the outstanding balance of margin accounts and accrued interest paid upon the purchase of a bond. The accrued interest that was paid should not be deducted from interest received. It should be added to other deductible financial expenses. Note that the annual administration fees of an RRSP, TFSA, RRIF, RESP, RDSP, LIRA, LRIF or Locked-in RRSP are not deductible, even if paid through a non-registered account.



1100 Robert Bourassa Blvd., 7th Floor, Montreal, QC H3B 2G7  
(514) 381-1111

**INVESTMENT INCOME SUMMARY 20XX**

FIRST NAME SURNAME  
ADDRESS  
ADDRESS  
ADDRESS

Reference  
XXXXXX

Investment Advisor  
CDBN

Telephone  
S.I.N.  
000 000 000

Resident  
ALBERTA

DATE	QUANTITY	DESCRIPTION	AMOUNT	
			PAID BY YOU	PAID TO YOU
<b>YOUR CANADIAN ACCOUNT XX-XXXX-X</b>				
20xx/xx/xx	1,000	TRANSCDA CP 4% 1ST-S7 PFD	(1)	DIV 250.00
20xx/xx/xx	1,800	CAPITAL POWER CORP	(1)	DIV 567.00
20xx/xx/xx	1,100	TRANSALTA CP4.6%-A 1ST PF	(1)	DIV 316.25
20xx/xx/xx	1,200	BIRCHCLIFF ENERGY-A PFD	(1)	DIV 600.00
20xx/xx/xx	1,500	BIRCHCLIFF ENGY 7%-C PFD	(1)	DIV 656.25
20xx/xx/xx	1,000	TRANSCDA CP 4% 1ST-S7 PFD	(1)	DIV 250.00
20xx/xx/xx	1,800	CAPITAL POWER CORP	(1)	DIV 567.00
20xx/xx/xx	1,200	BIRCHCLIFF ENERGY-A PFD	(1)	DIV 600.00
20xx/xx/xx	2,200	TRANSALTA CP4.6%-A 1ST PF	(1)	DIV 632.50
20xx/xx/xx	1,500	BIRCHCLIFF ENGY 7%-C PFD	(1)	DIV 656.25
20xx/xx/xx	1,000	TRANSCDA CP 4% 1ST-S7 PFD	(1)	DIV 250.00
20xx/xx/xx	1,800	CAPITAL POWER CORP	(1)	DIV 567.00
20xx/xx/xx	6,500	SPROTT INC	(1)	DIV 195.00
20xx/xx/xx	1,800	CAPITAL POWER 4.6% S1 PFD	(1)	DIV 517.50
20xx/xx/xx	1,200	BIRCHCLIFF ENERGY-A PFD	(1)	DIV 600.00
20xx/xx/xx	2,200	TRANSALTA CP4.6%-A 1ST PF	(1)	DIV 632.50
20xx/xx/xx	1,500	BIRCHCLIFF ENGY 7%-C PFD	(1)	DIV 656.25
20xx/xx/xx	1,000	TRANSCDA CP 4% 1ST-S7 PFD	(1)	DIV 250.00
20xx/xx/xx	4,800	ABERDEEN ASIA-PACIFIC INC	(X)	ROC 62.59
20xx/xx/xx	4,800	ABERDEEN ASIA-PACIFIC INC	(5)	DIV 129.41
20xx/xx/xx	6,500	SPROTT INC	(1)	DIV 195.00
20xx/xx/xx	1,300	TALISMAN EGY 4.2%-CM-1 PFD	(1)	DIV 341.25
20xx/xx/xx	1,800	CAPITAL POWER 4.6% S1 PFD	(1)	DIV 517.50
20xx/xx/xx	1,200	BIRCHCLIFF ENERGY-A PFD	(1)	DIV 600.00
20xx/xx/xx	2,200	TRANSALTA CP4.6%-A 1ST PF	(1)	DIV 632.50
20xx/xx/xx	1,500	BIRCHCLIFF ENGY 7%-C PFD	(1)	DIV 656.25
<b>TOTALS FOR ALL OF THE ACCOUNTS : XX-XXXX-X</b>				
( 1 ) ELIGIBLE DIVIDENDS FROM CANADIAN CORPS			11,706.00	
( 5 ) GROSS INCOME FROM FOREIGN SOURCES			129.41	
( X ) PRINCIPAL PAYMENTS AND / OR RETURN OF CAPITAL			62.59	



## How is the capital gain or loss calculated?

The fiscal gain or loss is calculated as: **Proceeds of disposition** minus **fiscal ACB** less **expenses incurred to sell the asset**.

Thus, the fiscal ACB is used to calculate, at the time of disposition, the taxpayer's loss or gain, for tax purposes.

## Proceeds of disposition

Proceeds of disposition is the amount received or receivable in return for property or goods, and is generally the sale price. Box 21 of the T5008 slip represents the proceeds of disposition before commission or any expenses disbursed.

## Commissions or fees

The T5008 slip also reports the fees or commissions incurred on the disposition of the security. This amount is needed to accurately calculate the fiscal gain or loss as mentioned above.

## ACB for tax purposes

This is typically the cost of acquiring a security with certain upward or downward adjustments. For example, brokerage fees or commissions are added to the ACB, and for some securities the ACB is reduced by capital distributions.

## Special rules for identical properties

If an individual buys identical properties at different prices, an average ACB must be calculated after each purchase. Dispositions of identical properties do not affect the ACB. The CRA considers that identical properties are securities that are similar based on key elements, such that a potential buyer will have no preference for one over the other. For example, shares of the same class of the capital stock of a corporation or units of a mutual fund trust will be considered identical properties.

Here is the link to the CRA's website that explains, in detail, the calculation of gains and losses on capital property:

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/personal-income/line-127-capital-gains/calculating-reporting-your-capital-gains-losses.html>

The following example outlines the calculation of the average ACB for the same class of shares for the "ABC Inc." corporation (i.e. the ACB for identical properties):

ABC Inc.		A	B	C				E
Date		Number of shares sold or bought	Purchase price/Sell price	Total (AxB)	Total Shares	Average Tax ACB	Average Tax ACB	Gains (losses) C-(AxD)
10-Feb	BUY	100	12	1200	100	1200	12	
12-Mar	BUY	150	9	1350	250	2550	10.2	
15-Mar	SELL	(50)	8	400	200	2040	10.2	(110)
25-Jul	BUY	200	5	1000	400	3040	7.6	

## Settlement date vs. transaction date

A disposition for tax purposes is triggered on the settlement date rather than on the date the transaction was ordered.

## Conversion to Canadian dollars

Please note that all information reported on your income tax return must be in Canadian dollars (with a few exceptions). As well, the fiscal ACB must be calculated in Canadian dollars, even if the security (Canadian or foreign) is denominated in a different currency. Thus, the exchange rates in effect at the time of purchase and at the time of disposition must be used to calculate the ACB and the proceeds of disposition accordingly, and therefore, will ultimately determine the gain/loss. Note that the CRA indicates on its website that you can use the annual average exchange rate when transactions occur throughout the year, as is the case when receiving dividends or interest. This is not the case when calculating the ACB, the proceeds of disposition and the capital gain/loss.

## Linked notes

A linked note is a debt obligation, most often issued by a financial institution, the return on which is linked in some manner to the performance of one or more reference assets or indexes over the term of the obligation.

Previously, selling a linked note prior to maturity generally only generated a capital gain or loss. Since January 1, 2017, all or a portion of any gain realized on the sale of a linked note is deemed to be interest that has accrued on the debt obligation. This measure ensures that any positive return on a linked note retains the same character, whether it is earned at maturity or reflected in a secondary market sale.

The following three elements must be identified at the sale or maturity of a linked note:

- 1 - the taxable interest (T5 slip);
- 2 - the interest paid to the seller at purchase; this is deductible in Schedule 4 (no prescribed slip is required);
- 3 - the gain or loss, as applicable (slip T5008 and calculation of the ACB).

We recommend that you calculate each of the steps in the following order:

**1 - Calculation of interest:** Paragraph 20(14.2) of the ITA stipulates that the difference between the amount received in exchange for the linked note (hereinafter, the "Sell Price") and the remaining capital (hereinafter, the "Face Value") is considered interest income, regardless of whether the linked note was sold before or after maturity. When there are returns of capital during the holding period, the repaid amount reduces the Face Value for the calculation of interest at the time of the disposition or the maturity of the linked note (see example 6 below). Note that even if a capital loss is realized in the third step calculation, this capital loss does not reduce the interest calculated in this first step.

The CRA require that the portion of interest be reported on a T5 slip.

**2 - Calculation of interest paid to the seller at purchase:** When a premium is paid upon the acquisition of a linked note, it is generally considered as interest paid to the seller. In this case, the purchaser would be entitled to deduct an amount, limited to the interest calculated in step 1 and indicated on the T5 slip, as "interest paid" pursuant to paragraph 20(14)(b) of the ITA. This amount must be provided in Schedule 4 of the income tax return. The interest paid also reduces the acquisition cost for the purpose of calculating the ACB (see example 3 below).

**3 - Calculation of the gain or loss:** Upon the disposition or the maturity of the linked note, it is necessary to calculate whether there is a gain or loss. For this purpose, the proceeds of disposition must be reduced by the interest income included at the time of disposition or maturity (step 1 above). In addition, the initial cost must, in certain circumstances, be modified to obtain the adjusted cost base (ACB) required to calculate the capital gain or loss. For additional information, please refer to the section entitled "How is the capital gain or loss calculated?" above.

The disposition or maturity must also be reported on a T5008 (Box 15 = ELN or BLA for Linked Notes) slip. However, the proceeds of disposition on the T5008 are reduced by the portion of interest indicated on the T5 slip.

The following are examples illustrating the calculation of the interest and the capital gain (or loss) resulting from the disposition or the maturity of the linked note.

#### Example 1: Purchase at face value

Face Value	\$1,000
Investor's Purchase Price	\$1,000
Sell Price	\$1,020
Interest (T5)	\$20
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$1,020
Adjustment (interest T5)	\$20
Proceeds of Disposition (T5008)	\$1,000
Initial Cost	\$1,000
Adjustment	\$0
Adjusted Cost Base	\$1,000
Gain (loss)	\$0

#### Example 2: Commissions

The payment of a commission requires an adjustment to the calculation of the capital gain (loss). If a \$25 commission was paid at the time of disposition, this amount must be considered in the calculation of the gain (loss). Please refer to the section "How is the capital gain or loss calculated?" above for more information. No adjustment is required when the commission is integrated into the product, that is, provided in the linked note's issuing document.

Face Value	\$1 000
Investor's Purchase Price	\$1 000
Sell Price	\$1 020
Purchase Commission	\$0
Sale Commission	\$25
Interest (T5)	\$20
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$1 020
Adjustment (interest T5)	\$20
Proceeds of Disposition (T5008)	\$1 000
Sale Commission	\$25
Initial Cost	\$1 000
Adjustment	\$0
Adjusted Cost Base	\$1 000
Gain (loss)	\$25



**Example 3: Acquisition cost exceeds face value**

When a premium is paid upon the acquisition of a linked note, it is generally considered as interest paid to the seller. In this case, the purchaser would be entitled to deduct the amount as “interest paid” pursuant to paragraph 20(14)(b) of the ITA. This amount must be shown in Appendix 4 of the individual's income tax return. The interest paid also reduces the acquisition cost for the purpose of calculating the ACB.

Face Value	\$1,000
Investor's Purchase Price	\$1,050
Sell Price	\$1,070
Interest (T5)	\$70
Deduction for interest paid purchase (Schedule 4)	\$50
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$1,070
Adjustment (interest T5)	\$70
Proceeds of Disposition (T5008)	\$1,000
Initial Cost	\$1,050
Adjustment (interest paid on purchase)	\$50
Adjusted Cost Base	\$1,000
Gain (loss)	\$0

**Example 4: Acquisition cost below face value**

Face Value	\$1,000
Investor's Purchase Price	\$998
Sell Price	\$1,000
Interest (T5)	\$0
Deduction for interest paid on bought (Schedule 4)	\$0
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$1,000
Adjustment (interest T5)	\$0
Proceeds of Disposition (T5008)	\$1,000
Initial Cost	\$998
Adjustment (interest paid)	\$0
Adjusted Cost Base	\$998
Gain (loss)	\$2

**Example 5: Foreign currency linked notes**

Interest received (and taxable) is converted using the exchange rate at the time of payment. Interest paid (deductible in Schedule 4) is converted at the exchange rate applicable at the time of acquisition.

For the purpose of calculating the gain (loss), proceeds of disposition and related expenses are converted at the exchange rate at the time of disposition or maturity, as the case may be. Proceeds of disposition are reduced by the interest included in Canadian dollars. Finally, the initial cost is converted to the exchange rate at the time of acquisition. Adjusted cost base adjustments (such as interest paid) are converted at the exchange rate when they occur.

	(1)		(2)	(1) x (2)
	USD		Conversion rate	CDN \$
Face value	\$1,000	Jan 16, 2019	1.1	\$1,100
Investor's Purchase Price	\$1,050	April 18, 2019	1.2	\$1,260
Sell Price	\$1,070	Nov 26, 2019	1.3	\$1,391
Interest (T5)	\$70		1.3	\$91
Deduction for interest paid at purchase (Schedule 4)	\$50		1.2	\$60
<b>Gain (loss) calculation</b>				
Proceeds of disposition	\$1,070		1.3	\$1,391
Adjustment (Interest T5)	\$70		1.3	\$91
Proceeds of Disposition (T5008)	\$1,000			\$1,300
Initial Cost	\$1,050		1.2	\$1,260
Adjustment (interest paid)	\$50		1.2	\$60
Adjusted Cost Base	\$1,000			\$1,200
Gain (loss)	\$0			\$100

**Example 6: Return on capital**

When there are returns of capital during the holding period, the repaid amount reduces the face value for the calculation of interest at the time of the disposition or the maturity of the linked note. This amount also reduces the purchase price to obtain the adjusted cost base (ACB) for the calculation of the gain or loss.

Face Value	\$1,000
Investor's Purchase Price	\$1,000
Return on capital	\$200
Sell Price	\$820
Interest (T5)	\$20
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$820
Adjustment (interest T5)	\$20
Proceeds of Disposition (T5008)	\$800
Initial Cost	\$1,000
Adjustment (Return on capital)	\$200
Adjusted Cost Base	\$800
Gain (loss)	\$0

## FAQ – T5008 Slip

❑ Q: Under what circumstances may adjustments to the amount shown in box 20 of my T5008 slip be required to determine the ACB for tax purposes?

A: There are a wide variety of reasons why the amount in box 20 may not accurately reflect the ACB, including:

- ❑ when a security was transferred into your account, the information that was provided by the institution that transferred the security may have been incorrect.
- ❑ when you hold identical securities in more than one non-registered account, even when the accounts are all at the same institution.
- ❑ when you have a history of losses subject to the superficial loss regulations.
- ❑ when you have made a tax election, undertaken certain rollover transactions (including a spousal or estate rollover) or have been subject to "deemed disposition" rules for the security.
- ❑ certain market events such as mergers, acquisitions and foreign spin-off reorganizations may not have been properly considered.
- ❑ if you disposed of interests in mutual funds, income trusts, royalty trusts, real estate investment trusts (REITs), exchange traded funds (ETFs) or limited partnerships, the amount in box 20 may not reflect reimbursements of capital (which reduce the ACB) or reinvested distributions (which increase the ACB).
- ❑ if you have entered into short sale transactions and the position was not fully hedged during the year, the book value may not be accurately reflected.

If you hold units of a limited partnership (or units of a partnership), you will receive tax information on a T5013 slip. Note that you will receive a separate T5013 for each limited partnership (or partnership) for which you hold units.

Please note that a holder of partnership units must inform the CRA of the partnership's allocation, which may differ from the amounts actually received in the account. Thus, the taxpayer should use the amounts shown on the T5013 statement. Note that, for information purposes, the amount that has actually been distributed is generally shown on the top right-hand corner of the T5013 slip.

You can now use the CRA's "My Account" and the auto-fill function to facilitate the preparation of your tax return. However, please note that the T5013 slip is issued in the name of the partnership and you will not find a T5013 slip issued under NBDB's name. The information shown on your T5013 slip will therefore be reported in "My Account", under the name of each partnership.

Due to the complexity and number of boxes and information shown on the T5013, we strongly recommend that you visit the CRA website to learn more about this topic using the following link:

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t5013-inst.html>

Partnerships that are incorporated as tax shelters or that waive certain fees in favour of the original investor often provide, on their website complete and detailed information regarding the taxation of the amounts reported on the T5013 slip. In addition, their website should also help establish how to report these amounts in your tax return. Thus, we suggest that you visit these partnerships' websites for additional information.

## FAQ - T5013

■ Q: I received a T5013 slip from NBDB. However, I do not find any T5013 slips issued under NBDB's name in the list provided in the CRA's *"My Account"*. Why?

A: The T5013 slips are issued by NBDB, but on behalf of the partnership. The revenues shown on the T5013 slips are reported under the partnership's name in *"My Account"*. You will therefore not find a T5013 slip issued under NBDB's name in *"My Account"*.

## Joint accounts

When an account is jointly held between spouses, the client must allocate the income, the gains and the losses generated based on each individual's contribution, even if only one tax slip is issued.


Hence, tax legislation applies attribution rules, disallowing income splitting in certain situations involving gifts and loans to spouses or common-law partners and minor children.

## RRSP

### RRSP contribution slips


If you have contributed to an RRSP of which you or your spouse or common-law partner is an annuitant between March 1, 2019 and March 2, 2020, you will receive an RRSP contribution receipt. Receipts will be issued for two separate periods: the first one corresponding to contributions between March 1, 2019 and December 31, 2019, and the second covering the first 60 days of 2020 from January 1, 2020 to March 2, 2020.

It is important to complete Schedule 7 of your 2019 income tax return and attach all receipts including those covering the first 60 days of 2020, even if you do not claim RRSP deductions on your 2019 income tax return for some or all contributions made between March 1, 2019 and March 2, 2020.

NATIONAL BANK DIRECT BROKERAGE <small>1100 Market Boulevard West, 19<sup>th</sup> Floor, Montreal, QC H3B 2H7 888-84</small>		REGISTERED RETIREMENT SAVINGS PLAN ATTACH TO FEDERAL INCOME TAX RETURN			
DUPLICATE					
DATE	ACCOUNT NUMBER	DURING THE FIRST 60 DAYS OF THE YEAR (\$)	DURING THE REMAINDER OF THE YEAR (\$)	CONTRIBUTOR'S NAME	
DEC 31, 2019	00-0000-0		740.00	NAME SURNAME	
NAME SURNAME ADDRESS			ANNUITANT'S SOCIAL INSURANCE NUMBER 000 000 000	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER 000 000 000	
Contribution was in whole or in part, in kind <input type="checkbox"/>					
Official tax receipt		Registered under the income Tax Act (CANADA) and subject thereto. <div>             PER               AUTHORIZED OFFICER           </div>			

F30010-002 (2015-10-01)

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NATIONAL BANK DIRECT BROKERAGE <small>1100 Market Boulevard West, 19<sup>th</sup> Floor, Montreal, QC H3B 2H7 888-84</small>		REGISTERED RETIREMENT SAVINGS PLAN ATTACH TO PROVINCIAL INCOME TAX RETURN			
DUPLICATE					
DATE	ACCOUNT NUMBER	DURING THE FIRST 60 DAYS OF THE YEAR (\$)	DURING THE REMAINDER OF THE YEAR (\$)	CONTRIBUTOR'S NAME	
DEC 31, 2019	00-0000-0		740.00	NAME SURNAME	
NAME SURNAME ADDRESS			ANNUITANT'S SOCIAL INSURANCE NUMBER 000 000 000	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER 000 000 000	
Contribution was in whole or in part, in kind <input type="checkbox"/>					
Official tax receipt		Registered under the income Tax Act (CANADA) and subject thereto. <div>             PER               AUTHORIZED OFFICER           </div>			

F30010-002 (2015-10-01)

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NATIONAL BANK DIRECT BROKERAGE <small>1100 Market Boulevard West, 19<sup>th</sup> Floor, Montreal, QC H3B 2H7 888-84</small>		REGISTERED RETIREMENT SAVINGS PLAN DUPLICATE RETAINED BY RECIPIENT			
DUPLICATE					
DATE	ACCOUNT NUMBER	DURING THE FIRST 60 DAYS OF THE YEAR (\$)	DURING THE REMAINDER OF THE YEAR (\$)	CONTRIBUTOR'S NAME	
DEC 31, 2019	00-0000-0		740.00	NAME SURNAME	
NAME SURNAME ADDRESS			ANNUITANT'S SOCIAL INSURANCE NUMBER 000 000 000	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER 000 000 000	
Contribution was in whole or in part, in kind <input type="checkbox"/>					

(001)

## Spousal or common-law partner's RRSP

You can contribute into a spousal or common-law partner's RRSP instead of yours. These contributions will be deductible on your income tax return based on your RRSP deduction limit (i.e., RRSP contribution room). You will need to identify separately, in Schedule 7, the contributions to your RRSP from those made to your spousal or common-law partner's RRSP.

## Excess contributions

A special tax of 1% per month is payable on contributions made to an RRSP that exceed your RRSP deduction limit by more than \$2,000. If you are subject to this special tax, you must complete a T1-OVP return, "Individual Tax Return for RRSP, SPP and PRPP - Excess Contributions", send it to your tax centre and make a payment within 90 days following the end of the calendar year to avoid paying a penalty or interest.

The application of this special tax (1%) may cease either:

- when you have new RRSP contribution room; or
- at the time of withdrawal of excess contributions.

## Withdrawal of excess contributions

If you withdraw excess contributions from your RRSP, you will have to include the withdrawn amount in your income for the year of withdrawal, **even if** you have never deducted this amount in your previous tax returns. However, an offsetting deduction can be claimed when certain conditions are met.



## RRSP or RRIF Withdrawal – T4RSP and T4RIF Slips

If you made a withdrawal from your RRSP or RRIF account during the year, you will receive a T4RSP or T4RIF slip, as applicable, showing the amount withdrawn and taxes withheld. The taxes withheld will be credited to your taxes owed on your income tax return. You may still have to pay taxes, in particular if you have other sources of income.

Canada Revenue Agency / Agence du revenu du Canada		STATEMENT OF RRSP INCOME / ÉTAT DU REVENU PROVENANT D'UN REER		T4RSP	
Year / Année: 20XX	16 Annuity payments / Paiements de rente	18 Refund of premiums / Remboursement de primes	20 Refund of excess contributions / Remboursement des cotisations excédentaires	22 Withdrawal and commutation payments / Retrait et paiements de conversion: 10000.00	25 LLP withdrawal / Retrait REEP
	28 Other income or deductions / Autres revenus ou déductions	30 Income tax deducted / Impôt sur le revenu retenu: 2000.00	34 Amounts deemed received on death / Montants réputés reçus au décès	27 HBP withdrawal / Retrait RAP	35 Transfers on breakdown of marriage or common-law part / Transferts après rupture du mariage ou de l'union de fait
Recipient's name and address – Nom et adresse du bénéficiaire Last name (print) / Nom de famille (en lettres moulées): FIRST NAME SURNAME First name / Prénom: PRÉNOM Initials / Initiales: NOM Address / Adresse: ADRESSE			24 Contributor spouse or common-law partner / Époux ou conjoint de fait coisant: Yes <input type="checkbox"/> No <input type="checkbox"/> 36 Spouse's or common-law partner's social insurance number* / Numéro d'assurance sociale de l'époux ou du conjoint de fait*: XXXXXXXX 12 Social insurance number* / Numéro d'assurance sociale*: 000 000 000 14 Contract number / Numéro de contrat: XXXXXXXX 60 Name of payer (issuer) of plan – Nom du payeur (émetteur) du régime: NATIONAL BANK DIRECT BROKERAGE 61 Account Number / Numéro de compte 40 Tax-paid amount / Montant libéré d'impôt		

Privacy Act, Personal Information Bank number CRA PPU 005 and CRA PPU 047 / Loi sur la protection des renseignements personnels, Fichier de renseignements personnels ARC PPU 005 et ARC PPU 047

T4RSP (XX)

\*If your social insurance number is not shown, see the back of this slip. / \*Si votre numéro d'assurance sociale n'est pas indiqué, lisez le verso de ce feuillet.

Protected B when completed / Protégé B une fois rempli

Canada Revenue Agency / Agence du revenu du Canada		STATEMENT OF INCOME FROM A REGISTERED RETIREMENT INCOME FUND / ÉTAT DU REVENU PROVENANT D'UN FONDS ENREGISTRÉ DE REVENU DE RETRAITE		T4RIF	
Year / Année: 20XX	16 Taxable amounts / Montants imposables: 20000.00	18 Deceased / Personne décédée	20 Deregistration / Annulation de l'enregistrement	22 Other income or deductions / Autres revenus ou déductions	24 Excess amount / Excédent: 4161.58
	28 Income tax deducted / Impôt sur le revenu retenu: 416.16	30 Year / Année: 20XX	35 Transfers on breakdown of marriage or common-law part / Transferts après rupture du mariage ou de l'union de fait	26 Spousal or common-law partner RRIF / FERR au profit de l'époux ou conjoint de fait: NO	
Recipient's name and address – Nom et adresse du bénéficiaire Last name (print) / Nom de famille (en lettres moulées): FIRST NAME SURNAME First name / Prénom: PRÉNOM Initials / Initiales: NOM Address / Adresse: ADRESSE			12 Social insurance number* / Numéro d'assurance sociale*: 000 000 000 14 Contract number / Numéro de contrat: XXXXXXXX 60 Name of payer (carrier) of fund / Nom du payeur (émetteur) du fonds: NATIONAL BANK DIRECT BROKERAGE 61 Account Number / Numéro de compte 36 Tax-paid amount / Montant libéré d'impôt		

Privacy Act, Personal Information Bank number CRA PPU 005 and CRA PPU 047 / Loi sur la protection des renseignements personnels, Fichier de renseignements personnels ARC PPU 005 et ARC PPU 047

T4RIF (XX)

\*If your social insurance number is not shown, see the back of this slip. / \*Si votre numéro d'assurance sociale n'est pas indiqué, lisez le verso de ce feuillet.

Protected B when completed / Protégé B une fois rempli

## Attribution rules: Calculation of the amount to be included in your income and in the income of your spouse or common-law partner

When you withdraw from a spousal or common-law partner's RRSP, it is possible that all or part of the amount on the T4RSP or T4RIF slip is reattributed to you (even if the slip is issued in the annuitant's name), meaning that the amount must be included in your income tax return (the contributor's tax return).

If you contributed to a spousal or common-law partner's RRSP in 2016, 2017 or 2018, you may have to include in your 2018 income some or all of the amounts withdrawn from the spousal or common-law partner's RRSP.

In the year of withdrawal (e.g., 2018), you must include the lesser of

- ▮ the amount you contributed to your spouse's RRSP for the year of withdrawal (2018) as well as the two previous years (2017 and 2016), and
- ▮ the amount that your spouse or common-law partner has withdrawn from his/her RRSP (e.g., 2018).

Please review the CRA website for more information:

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/making-withdrawals/withdrawing-spousal-common-law-partner-rrsps.html>

Use Form T2205, "Amounts from a Spousal or Common-law Partner RRSP, RRIF or SPP to Include in Income" to calculate the amount to be included in your income tax return and your spouse's or common-law partner's return.

In all cases, the individual whose name appears on the slip must declare the tax withheld. Most of the time, after a withdrawal, the information slip is made in the name of the annuitant. However, you must report income as calculated in Parts 1 and 2 of Form T2205.

## Exceptions

The attribution rules do not apply in the following situations:

- ▮ you and your spouse or common-law partner were living separately at the time of withdrawal due to a breakdown of the relationship;
- ▮ at the time of withdrawal, you or your spouse or common-law partner were non-residents of Canada;
- ▮ to the Prescribed Minimum RRIF Amount: the attribution rules apply only to amounts in excess of the minimum withdrawal for the year;
- ▮ in the year of death.

## Transfer of a RRIF/LIF to an RRSP/LIRA

It is possible, in certain circumstances, that an annuitant transfers funds from his/her RRIF/LIF to his/her RRSP/LIRA. While this transfer is not taxable, the amount transferred from the RRIF (LIF) to the RRSP (LIRA) will trigger the issuance of a T4RIF, as well as an RRSP contribution slip. The T4RIF will result in the inclusion of the amount in declared income, while the RRSP contribution slip, included as appropriate on Schedule 7 of the federal income tax return (transfer section), will provide a deduction that will negate the inclusion of the income.

Note, however, that the following transfers do not generate tax slips and do not affect the reporting of income: RRSP/LIRA to RRSP/LIRA, RRSP/LIRA to RRIF/LIF, RRIF/LIF to RRIF/LIF.



## Tax-Free Savings Account (“TFSA”)

The TFSA is an account that allows a taxpayer to save and invest on a tax-free basis. Any amounts accumulated in a TFSA or withdrawn from the account are not taxable.

### Eligibility

Any individual who is 18 years of age or older living in Canada and who has a valid Canadian Social Insurance Number is eligible to open a TFSA. Individuals who reach the age of 18 during the year must wait until their birthday to open a TFSA. In Canadian provinces where the age of majority is 19 (British Columbia, New Brunswick, Nova Scotia, Nunavut, the Northwest Territories, Yukon and Newfoundland/Labrador), a TFSA account for an individual who is 18 years of age must be opened as follows: “Name of the Child, C/O name of the guardian, tutorship to minors.” When the individual turns 19, a new TFSA account will have to be opened in the individual’s name and new documents must be signed by him/her.

### Annual TFSA contribution limit

The TFSA contribution limit for 2019 and 2020 is \$6,000. The limit will be indexed to the inflation rate for subsequent years and will be rounded to the nearest \$500. Exceptionally, the 2015 contribution limit was \$10,000. The contribution limit for each of 2013, 2014, 2016, 2017 and 2018 was \$5,500, and the annual limit for 2009 to 2012 was \$5,000.

A TFSA contribution is not deducted from income (unlike an RRSP contribution). Unused contribution room will be carried forward to future years indefinitely and there is no cumulative limit. In addition, withdrawals from a TFSA in a given year will be added to the individual’s contribution room for the following year. This allows individuals withdrawing money from their TFSA to use their accumulated savings to recontribute an amount equivalent to the withdrawal in the following or subsequent years.

The calculation of the annual contribution room is as follows:

Unused contribution room from previous years + withdrawals made in the previous year + current year’s contribution room

For example, an individual has unused contribution room of \$10,000 and withdraws \$7,000 in a given year. The following year, she/he may therefore contribute \$17,000, in addition to the current year’s contribution limit. As with RRSPs, it is not possible for financial institutions to calculate, for the client, the amount they are entitled to contribute to their TFSA. Note, however, that it is possible to find this information on the CRA’s “*My Account*”. For more information, see the following webpage:

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/contributions.html>

“In kind” contributions are allowed. The amount of the contribution will be equal to the fair market value (“FMV”) of the property. CRA considers that there was a disposition of the property at FMV at the time of the contribution. If the FMV exceeds the fiscal cost of the property, a capital gain must be reported when filing your tax return. However, if the fiscal cost is greater than the FMV, no capital loss will be permitted since the loss would be considered “deemed to be nil” under the ITA.

There is no maximum age for contributing. No tax slip will be issued. Each year, CRA will determine, for the TFSA holder, his/her permitted contribution amount. Interest paid on money borrowed and invested in a TFSA, is not deductible for tax purposes.

## Excess contributions

Excess TFSA contributions are subject to a 1% tax per month. If the CRA suspects that the excess contributions were deliberate, a 100% tax will be levied on income earned on these contributions. There is no special procedure to withdraw excess contributions; i.e., a regular withdrawal must be made. The withdrawal of excess contributions will not allow the holder to accumulate new contribution room.

### ■ Example:

Michael opened a TFSA on February 6, 2009, and contributed \$5,000. On March 3rd, 2010, he contributed \$7,000. As Michael's TFSA contribution room was only \$5,000 at the beginning of 2010 (the contribution limit for that year), he had an excess TFSA amount of \$2,000 in his account due to the \$7,000 contribution made on March 3rd. On May 17th, 2010, Michael withdrew \$3,200 from his TFSA. Thus, his TFSA account was no longer in excess and \$1,200 could be added to his TFSA in 2011.

### ■ The tax payable would therefore be:

Excess x 1% x number of months = \$2,000 x 1% x 3 months = \$60

Note that the application of this special 1% tax may cease when the taxpayer has new TFSA contribution rights.

## Withdrawals

TFSA withdrawals may be made at any time, for any reason, and are not taxable. The total amount of the withdrawals may be re-contributed to the TFSA in the following or subsequent years (due to the increase in contribution room). Hence, a TFSA withdrawal restores contribution room, which is not the case for RRSP withdrawals.

## Plan's maturity date

Unlike an RRSP, where you must terminate the plan when reaching 71 years of age, there is no termination date for a TFSA. The TFSA, therefore, offers seniors aged 71 and over a tax-free savings vehicle.

## Differences between a TFSA and an RRSP

Both plans offer fiscal benefits but have significant differences:

- RRSP contributions are deductible for income tax purposes unlike those made to a TFSA.
- RRSP withdrawals are added to income, are taxed at the current rate, and do not result in restored contribution room. TFSA withdrawals and income do not raise any tax implications, i.e., they are tax-free. Moreover, TFSA contribution room may be restored after a withdrawal. For more information, please visit the CRA website:

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account.html?slnk>

## Miscellaneous

### Real Return Bonds (RRBs) in non-registered accounts

If you hold this type of bond and require further information, please visit

<http://nbfwm.ca/en/financial-information/tax-reporting-information/tax-return/#index=10>.

### NR4 slip (federal) – Statement of Amounts Paid or Credited to Non-Residents of Canada

Non-residents of Canada will receive a NR4 stating the gross investment income, the tax withheld (if applicable) as well as withdrawals from registered accounts. Usually, the withholding tax will be considered a final tax and the non-resident should not be required to file a Canadian income tax return unless he or she is in a special situation.

Canada Revenue Agency		Agence du revenu du Canada		NR4		STATEMENT OF AMOUNTS PAID OR CREDITED TO NON-RESIDENTS OF CANADA ÉTAT DES SOMMES PAYÉES OU CRÉDITÉES À DES NON-RÉSIDENTS DU CANADA	
10 Year Année	11 Recipient code Code du bénéficiaire	12 Country code Code pays	Payer or agent identification number Numéro d'identification du payeur ou de l'agent		13 Foreign or Canadian tax identification number Numéro d'identification étranger ou canadien aux fins de l'impôt		
20XX	1	F R A	XXXXXX		000 000 000		
Income code Code de revenu		Currency code Code de devise	Gross income Revenu brut		Non-resident tax withheld Impôt des non-résidents retenu		Exemption code Code d'exemption
Line 1 Ligne 1	14 6 1	15 C A D	16 9814.93		17 0.00		18 S
Line 2 Ligne 2	24	25	26		27		28
<b>Non-resident recipient's name and address – Nom et adresse du bénéficiaire non-résident</b> Individual's surname, first name and initial / Corporation, organization, association, trust, or institution name Nom, prénom et initiale du particulier / Nom de la société, de l'organisme, de l'association, de la fiducie ou de l'établissement Second individual's surname, first name and initial / Nom, prénom et initiale du deuxième particulier Address / Adresse FIRST NAME SURNAME PRÉNOM NOM ADDRESS ADRESSE							
Name and address of payer or agent Nom et adresse du payeur ou de l'agent <b>NATIONAL BANK DIRECT BROKERAGE</b> <b>1100, BOUL. ROBERT-BOURASSA,</b> <b>7<sup>TH</sup> FLOOR</b> <b>MONTREAL, QC H3B 2G7</b>							
Non-resident account number Numéro de compte non-résident XXXXXXXXX							
Country code Code pays			F	R	A		
Privacy Act, Personal Information Bank numbers CRA PPU 005 and CRA PPU 047. Loi sur la protection des renseignements personnels, Fichiers de renseignements personnels numéros ARC PPU 005 et ARC PPU 047. NR4 (XX)							

In addition, non-residents of Canada holding units of a limited partnership (or units of a partnership) may also receive a T5013 slip. For more information on the T5013 slip, please refer to the relevant section above (page 19).

### Stripped coupons

The interest accrued on discount debt securities (stripped or residual obligations) must be declared annually, even though the interest is received only when the security matures or is sold (excluding Treasury bonds whose interest is only reported at maturity or upon a sale). Moreover, capital gain or loss from the sale of a coupon or a residual obligation must be reported prior to the maturity date.

Various methods, more or less complex, can be used to calculate the annual accrued interest on a stripped coupon or residual obligation. Remember that although the results differ slightly depending on the method used, the end result over the life of the investment will be exactly the same and you will have reported the same total amount of interest.

## U.S. Tax Slips

### Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding)

If you are not a U.S. citizen and you have received U.S. source income from a non-registered account for which the beneficiary is a limited partnership, an investment club or association that is not incorporated, a unique shareholder, a transferor trust, or a simple trust, you will receive a Form 1042-S. This slip will show the income generated to your account as well as withholdings remitted to the U.S. Internal Revenue Service ("IRS").

Form **1042-S** Foreign Person's U.S. Source Income Subject to Withholding  
 Department of the Treasury Internal Revenue Service  
 Information about Form 1042-S and its separate instructions is at [www.irs.gov/form1042](http://www.irs.gov/form1042)

20XX  
 OMB No. 1545-0096  
**Copy B**  
 for Recipient

**AMENDED** **PRO-RATA BASIS REPORTING**

<b>1</b> Income code 06	<b>2</b> Gross income 357.58	<b>3</b> Chap. 3: 3a Exemption code: 00	<b>4</b> Chap. 4: 4a Exemption code: 15	<b>5</b> Withholding allowance	<b>6</b> Net income	<b>7</b> Federal tax withheld	<b>8</b> Tax withheld by other agents	<b>9</b> Tax assumed by withholding agent	<b>10</b> Total withholding credit	<b>11</b> Amount repaid to recipient	<b>12a</b> Withholding agent's EIN 000000000	<b>12b</b> Ch. 3 status code 12	<b>12c</b> Ch. 4 status code	<b>14e</b> Primary Withholding Agent's Name (if applicable) NBSN INC	<b>14f</b> Primary Withholding Agent's EIN 000000000	<b>15a</b> Intermediary or flow-through entity's EIN, if any	<b>15b</b> Ch. 3 status code 10	<b>15c</b> Ch. 4 status code	<b>16a</b> Intermediary or flow-through entity's name RESP-PRISON NOM	<b>16b</b> Intermediary or flow-through entity's EIN	<b>16c</b> Country code CA	<b>16d</b> Foreign tax identification number, if any	<b>16(e) (f)</b> Address (number) and street City or town, state or province, country, ZIP or foreign postal code	<b>17</b> Recipient's EIN	<b>18</b> Recipient's foreign tax identification number, if any	<b>19</b> Recipient's account number XXXXXXXX	<b>20</b> Recipient's date of birth	<b>21</b> Payer's name	<b>22</b> Payer's TIN	<b>23</b> Payer's EIN	<b>24</b> State income tax withheld	<b>25</b> Payer's state tax no.	<b>26</b> Name of state
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For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 11366R Form **1042-S** (2009)

#### 1042-S IRS INVESTMENT INCOME SUMMARY - 20XX

Date REX	Quantity	Description	Entry Type	Account Currency	Amount Cost, Rate	US\$
<b>TOTAL CANADIAN ACCOUNT KX-XXXX-X</b>						
01-08	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.65	0.9267	24.69
01-08	400	GLOBAL X SUPERDIVIDED ETF	MTX02	4.00	0.9267	3.70
02-12	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.47	0.9103	24.10
02-12	400	GLOBAL X SUPERDIVIDED ETF	MTX02	2.97	0.9103	2.61
03-12	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.82	0.8986	24.10
03-12	400	GLOBAL X SUPERDIVIDED ETF	MTX02	4.02	0.8986	3.61
04-10	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.29	0.9165	24.10
04-10	400	GLOBAL X SUPERDIVIDED ETF	MTX02	2.94	0.9165	2.61
05-12	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.22	0.9191	24.10
05-12	400	GLOBAL X SUPERDIVIDED ETF	MTX02	2.93	0.9191	2.61
06-11	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.20	0.9198	24.10
06-11	400	GLOBAL X SUPERDIVIDED ETF	MTX02	2.93	0.9198	2.61
07-11	400	GLOBAL X SUPERDIVIDED ETF	DIV	25.15	0.9358	24.09
07-11	400	GLOBAL X SUPERDIVIDED ETF	MTX02	2.86	0.9358	2.61
08-12	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.24	0.9148	24.10
08-12	400	GLOBAL X SUPERDIVIDED ETF	MTX02	2.93	0.9148	2.61
09-11	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.21	0.9090	24.10
09-11	400	GLOBAL X SUPERDIVIDED ETF	MTX02	2.97	0.9090	2.61
10-10	400	GLOBAL X SUPERDIVIDED ETF	DIV	26.96	0.8908	24.09
10-10	400	GLOBAL X SUPERDIVIDED ETF	MTX02	4.04	0.8908	3.61
11-12	400	GLOBAL X SUPERDIVIDED ETF	DIV	27.25	0.8841	24.09
11-12	400	GLOBAL X SUPERDIVIDED ETF	MTX02	4.09	0.8841	3.61
12-10	400	GLOBAL X SUPERDIVIDED ETF	DIV	27.43	0.8722	24.10
12-10	400	GLOBAL X SUPERDIVIDED ETF	MTX02	4.14	0.8722	3.61



## Form 1099-DIV (Dividend and Distributions) and Form 1099-INT (Interest Income)

If you are a “documented” U.S. investor, whether residing in the United States or not, you will receive a Form 1099-DIV and/or a Form 1099-INT corresponding to your U.S. source dividend income and/or interest income, respectively, generated by your investments in your RESP, RDSP and TFSA accounts.

If you are an “un-documented” U.S. investor, you will receive a Form 1099-DIV and/or a Form 1099-INT for U.S. source income from your non-registered accounts in addition to those from your RESP, RDSP and TFSA accounts.

NATIONAL BANK DIRECT BROKERAGE  
1100, BOUL. ROBERT-BOURASSA, 7<sup>TH</sup> FLOOR  
MONTREAL, QC H3B 2G7

IRS INVESTMENT INCOME SUMMARY - 20XX  
RECIPIENT ID 000000000

FIRST NAME SURNAME  
ADDRESS  
ADDRESS  
ADDRESS

Date MM/YY	Quantity	Description	Entry Type	Account Currency	Amount Curr. Rate	USD
<b>YOUR U.S. ACCOUNT</b> XX-XXXX-XX						
14-01-31	200	MONSANTO CO	SEF			\$4.00
14-02-03	400	FREEDPORT-MONROE CORP/AGL	SEF			\$25.00
14-03-03	300	CLIFFS NATURAL RES INC	SEF			\$15.00
14-03-25	350	NOVARTIS CO-NEW	SEF			\$7.50
14-04-25	200	MONSANTO CO	SEF			\$4.00
14-05-01	400	FREEDPORT-MONROE CORP/AGL	SEF			\$25.00
14-06-03	350	CLIFFS NATURAL RES INC	SEF			\$15.00
14-06-19	350	NOVARTIS CO-NEW	SEF			\$7.50

☐ CORRECTED (if checked)

PAYER's name, street address, city or town, province or state country, ZIP or foreign postal code, and telephone no.  
NATIONAL BANK DIRECT BROKERAGE  
1100, BOUL. ROBERT-BOURASSA, 7<sup>TH</sup> FLOOR  
MONTREAL, QC H3B 2G7

PAYER's federal identification number  
000000000

RECIPIENT's identification number  
000000000

RECIPIENT's name, Street address (including apt. no.), City or town, province or state, country, and Zip or foreign postal code

Account number (see instructions)  
XXXXXX

Form 1099-DIV (keep for your records)

OMB No. 1545-0110

**20XX**

**Dividends and Distributions**

Form 1099-DIV

Copy B For Recipient

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

1a Total ordinary dividends \$ 20.00	2a Total capital gain distr. \$ 20.00	2b Unrecap. Sec. 1250 gain \$	2c Section 1202 gain \$	2d Collectibles (28%) gain \$
1b Qualified dividends \$ 20.00	3 Nondividend distributions \$	4 Federal income tax withheld \$	5 Investment expenses \$	6 Foreign tax paid \$ 3.00
2e Section 1202 gain \$	7 Foreign country or U.S. possession \$	8 Cash liquidation distributions \$	9 Noncash liquidation distributions \$	10 Exempt-interest dividends \$
11 Specified private activity bond interest dividends \$	12 State \$	13 State identification no. \$	14 State tax withheld \$	

Department of the Treasury - Internal Revenue Service

☐ VOID ☐ CORRECTED

PAYER's name, street address, city or town, province or state country, ZIP or foreign postal code, and telephone no.  
NATIONAL BANK DIRECT BROKERAGE  
1100, BOUL. ROBERT-BOURASSA, 7<sup>TH</sup> FLOOR  
MONTREAL, QC H3B 2G7

PAYER's federal identification number  
000000000

RECIPIENT's identification number  
000000000

RECIPIENT's name, Street address (including apt. no.), City or town, province or state, country, and Zip or foreign postal code

Account number (see instructions)  
XXXXXX

Form 1099-DIV

OMB No. 1545-0110

**20**

**Dividends and Distributions**

Form 1099-DIV

Copy 2

To be filed with recipient's state income tax return, when required.

1a Total ordinary dividends \$ 20.00	2a Total capital gain distr. \$	2b Unrecap. Sec. 1250 gain \$	2c Section 1202 gain \$	2d Collectibles (28%) gain \$
1b Qualified dividends \$ 20.00	3 Nondividend distributions \$	4 Federal income tax withheld \$	5 Investment expenses \$	6 Foreign tax paid \$ 3.00
2e Section 1202 gain \$	7 Foreign country or U.S. possession \$	8 Cash liquidation distributions \$	9 Noncash liquidation distributions \$	10 Exempt-interest dividends \$
11 Specified private activity bond interest dividends \$	12 State \$	13 State identification no. \$	14 State tax withheld \$	

www.irs.gov/form1099div Department of the Treasury - Internal Revenue Service

### Instructions for Recipient

**Recipient's identification number.** For your protection, this form may show only the last four digits of your social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN). However, the issuer has reported your complete identification number to the IRS and, where applicable, to state and/or local governments.

**Account number.** May show an account or other unique number the payer assigned to distinguish your account.

**Box 1a.** Shows total ordinary dividends that are taxable. Include this amount on line 9a of Form 1040 or 1040A. Also, report it on Schedule B (1040A or 1040), if required.

**Box 1b.** Shows the portion of the amount in box 1a that may be eligible for reduced capital gains rates. See Form 1040/1040A instructions for how to determine this amount. Report the eligible amount on line 9b, Form 1040 or 1040A.

The amount shown may be dividends a corporation paid directly to you as a participant (or beneficiary of a participant) in an employee stock ownership plan (ESOP). Report it as a dividend on your Form 1040/1040A but treat it as a plan distribution, not as investment income, for any other purpose.

**Box 2a.** Shows total capital gain distributions from a regulated investment company or real estate investment trust. Report the amounts shown in box 2a on Schedule D (Form 1040), line 13. But, if no amount is shown in boxes 2c-2d and your only capital gains and losses are capital gain distributions, you may be able to report the amounts shown in box 2a on line 13 of Form 1040 (line 10 of Form 1040A) rather than Schedule D. See the Form 1040/1040A instructions.

**Box 2b.** Shows the portion of the amount in box 2a that is unrecaptured section 1250 gain from certain depreciable real property. Report this amount on the Unrecaptured Section 1250 Gain Worksheet-Line 13 in the Schedule D instructions (Form 1040).

**Box 2c.** Shows the portion of the amount in box 2a that is section 1202 gain from certain small business stock that may be subject to an exclusion. See the Schedule D (Form 1040) instructions.

**Box 2d.** Shows 28% rate gain from sales or exchanges of collectibles. If required, use this amount when completing the 28% Rate Gain Worksheet-Line 18 in the instructions for Schedule D (Form 1040).

**Box 3.** Shows the part of the distribution that is nontaxable because it is a return of your cost (or other basis). You must reduce your cost (or other basis) by this amount for figuring gain or loss when you sell your stock. But if you get back all your cost (or other basis), report future distributions as capital gains. See Pub. 550, Investment Income and Expenses.

**Box 4.** Shows backup withholding. A payer must backup withhold on certain payments if you did not give your taxpayer identification number to the payer. See Form W-9, Request for Taxpayer Identification Number and Certification, for information on backup withholding. Include this amount on your income tax return as tax withheld.

**Box 5.** Shows your share of expenses of a nonpublicly offered regulated investment company, generally a nonpublicly offered mutual fund. If you file Form 1040, you may deduct these expenses on the "Other expenses" line on Schedule A (Form 1040) subject to the 2% limit. This amount is included in box 1a.

**Box 6.** Shows the foreign tax you may be able to claim as a deduction or a credit on Form 1040. See the Form 1040 instructions.

**Box 7.** This box should be left blank if a regulated investment company reported the foreign tax shown in box 6.

**Boxes 8 and 9.** Shows cash and noncash liquidation distributions.

**Box 10.** Shows exempt-interest dividends from a mutual fund or other regulated investment company paid to you during the calendar year. Include this amount on line 8b of Form 1040 or 1040A as tax-exempt interest. This amount may be subject to backup withholding. See box 4.

**Box 11.** Shows exempt-interest dividends subject to the alternative minimum tax. This amount is included in box 10. See the Instructions for Form 6251.

**Box 12-14.** State income tax withheld reporting boxes.

**Nominees.** If this form includes amounts belonging to another person, you are considered a nominee recipient. You must file Form 1099-DIV (with a Form 1096) with the IRS for each of the other owners to show their share of the income, and you must furnish a Form 1099-DIV to each. A spouse is not required to file a nominee return to show amounts owned by the other spouse. See the 2014 General Instructions for Certain Information Returns.

**Future developments.** For the latest information about the developments related to Form 1099-DIV and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form1099div](http://www.irs.gov/form1099div).

In this context, “documented” refers to the supporting documents establishing the U.S. residency and/or citizenship of the client, which can be established by completing the IRS' Form W-9.

## Form 1099-B (Proceeds from Broker and Barter Exchange Transactions)

If you are a “documented” U.S. investor residing in the United States, you will receive a Form 1099-B reporting the dispositions of all the securities from your RESP, RDSP and TFSA accounts (e.g., U.S., Canadian and other sources).

If you are an “un-documented” U.S. investor residing in the United States, you will receive a Form 1099-B reporting the dispositions of all the securities from your non-registered accounts in addition to those from your RESP, RDSP and TFSA accounts.

Form 1099-B is not generated for U.S. investors not residing in the United States.

In this context, “documented” refers to the supporting documents establishing the U.S. residency and/or citizenship of the client, which can be established by completing the IRS’ Form W-9.

You must use these tax slips in order to file your U.S. tax return (Form 1040).

NATIONAL BANK DIRECT BROKERAGE 1100, BOUL. ROBERT-BOURASSA, 7 <sup>TH</sup> FLOOR MONTRÉAL, QC H3B 2G7		IRS TRADING SUMMARY - 20XX											
		RECIPIENT ID		000000000									
FIRST NAME SURNAME ADDRESS ADDRESS ADDRESS													
DATE	QUANTITY	SECURITY DESCRIPTION	PRICE	PROCEEDS (COSTS)	COMM	COMF RATE	PROCEEDS (COSTS) USD	COMM USD	UNCOVERED CNY	WASH SALE USD	LONG/ SHORT TERM L/S		
<b>YOUR CANADIAN ACCOUNT</b> X-XXXX-X													
11.14	250	ALTER HNS CORP-NEM	2.71	699.75		0.8826	538.17		Y	0.00	0.00		
Total Proceeds							538.17						
11.14	128,972	NLS GRW OFF CL /W	27.398	3,533.57		0.8826	3,118.73		Y	0.00	0.00		
Total Proceeds							3,118.73						

NATIONAL BANK DIRECT BROKERAGE 1100, BOUL. ROBERT-BOURASSA, 7 <sup>TH</sup> FLOOR MONTRÉAL, QC H3B 2G7		OMB - No. 1545-0715 <b>1099B - Substitute Statement - 20XX</b> <b>Proceeds From Broker &amp; Barter Exchange Transactions</b>											
Investment Advisor: PRÉNOM NOM Phone Number:		RECIPIENT ID		000000000									
		PAYER'S FED. ID. No.		000000000									
Date Sold or Disposed (Box 1c)	CUSIP Number	Qty Sold	Proceeds (Box 1d)	Fed Inc Tax Withd (Box 4)	Description (Box 1a)	Date of Acq (Box 1b)	Cost or Other Basis (Box 1e)	Code (Box 1f)	Adjustments (Box 1g)	Loss Not Allowed (Box 7)	Uncovered Security (Box 5)	Basis Reported to IRS (Box 3)	Long/ Short Term L/S (Box 2)
<b>YOUR CANADIAN ACCOUNT</b> X-XXXX-X													
02.18	12290ZGG5	10,000	9,123.00		BDC CIBLE S1 T/V 18FV14		0.00		0.00		Y		
Reported to IRS: ( ) Sales Price (X) Sales Price Less Commissions and Option Premiums													

## FAQ – Tax Slips and Miscellaneous

### What is a 1042-S?

A 1042-S is a form produced by the U.S. Internal Revenue Service (IRS). It provides information on U.S. source income and withholdings associated with this income.

### Why did I receive a Form 1042-S?

You received this form because U.S. source income was deposited into your account.

### Why were there withholdings on my registered account when income paid into this account is not taxable?

It is true that income is not taxed in a registered account. There are, however, withholdings on U.S. source income paid into an TFSA, RESP or registered disability savings plan ("RDSP"). These are considered "non-registered vehicles", and therefore taxable, by U.S. tax authorities. The withholdings associated with these accounts cannot be recovered through the Canadian foreign tax credit mechanism. Note that the treatment is different for RRSP/RRIF accounts: no withholding tax will be levied for these since the United States recognizes Canadian RRSPs and RRIFs as having non-taxable "registered plan" status. Thus, in accordance with the tax treaty between Canada and the United States, money or investments held in an RRSP/RRIF continue to grow tax-free as long as no amounts are withdrawn.

The withholding rate may differ according to the documentation that you provide at account opening, as well as your country of residence. The tax treaty between the United States and certain countries, including Canada, provides the right to a reduced withholding rate. To be eligible for the treaty's preferential tax rate, you must provide documentation establishing your place of residence, i.e., the IRS' Form "W-8BEN" or any other acceptable document. We strongly recommend that you contact a representative to determine the forms required for your specific situation. If you do not fill in the required documentation, the maximum withholding rate of 30% will be applied to all U.S. source income paid into your non-registered accounts, TFSAs, RESPs and RDSPs. The withholding is remitted to the U.S. tax authorities and is generally considered a final tax. Therefore, you do not need to file a U.S. tax return (Form 1040NR or Form 1040) unless you need to file one for another reason, or there is reason to believe that you will be able to recover a withheld amount from the U.S. tax authorities.

### Do I have to file the Form 1042-S with my Canadian tax report?

No, because it is a U.S. form.

## Deduction for carrying charges and interest expenses for non-registered accounts

Carrying charges and interest expenses are deductible within certain limitations. Here is a brief summary of these:

### A) Federal

As outlined by CRA on their website:

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-221-carrying-charges-interest-expenses.html>

#### **Line 22100 – Carrying charges and interest expenses**

**Note: Line 22100 was line 221 before tax year 2019.**

Claim the following carrying charges and interest you paid to earn income from investments:

- most interest you pay on money you borrow for investment purposes, but generally only if you use it to try to earn investment income, including interest and dividends. However, if the only earnings your investment can produce are capital gains, you cannot claim the interest you paid.

## T1135 — GUIDE

### Foreign Income Verification Statement

For information purposes only, you shall find hereinafter information on Form T1135.

#### What is Form T1135 - "Foreign Income Verification Statement"?

All taxpayers (individuals, corporations, trusts) that reside in Canada must complete and file Form T1135 if, at any time in the year, the total cost amount of their "specified foreign property" (please refer to definition below) was greater than \$100,000 in Canadian currency.

This form, prescribed by the ITA, helps tax authorities ensure that Canadian taxpayers disclose revenues derived from their foreign property. Since 1998, this form must be completed and filed annually to avoid onerous penalties for non-filing. For any previous years, if you omitted filing Form T1135, it is recommended that you contact your accountant or tax advisor prior to taking any action.

#### Specified Foreign Property

"Specified foreign property" is defined in subsection 233.3(1) of the ITA. Generally speaking, it includes:

- ▢ funds or intangible property (patents, copyrights, etc.) situated, deposited or held outside Canada
- ▢ tangible property situated outside Canada
- ▢ a share of the capital stock of a non-resident corporation
- ▢ shares of corporations resident in Canada held outside Canada
- ▢ an interest in a non-resident trust that was acquired for consideration
- ▢ an interest in a partnership that holds a specified foreign property unless the partnership is required to file Form T1135
- ▢ a property that is convertible into, exchangeable for, or confers a right to acquire a property that is specified foreign property
- ▢ a debt owed by a non-resident, including government and corporate bonds, debentures, mortgages, and notes receivable
- ▢ an interest in a foreign insurance policy
- ▢ precious metals, gold certificates, and futures contracts held outside Canada.

"Specified foreign property" does not include a personal-use property, or shares of the capital stock of corporations not resident in Canada held in a registered account (RRSP, TFSA, RESP, etc.) or held in a Canadian mutual fund/corporation.

For further detail, please refer to the CRA's website:

**"General Information":** <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1135.html>

**"Questions and Answers" (Q19-47):** <https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/questions-answers-about-form-t1135.html>

## Simplified Reporting Method

For 2015 and subsequent tax years, rather than providing the details for each foreign property, or “by account and country”, it is possible for taxpayers who held specified foreign property with a total cost amount of less than \$250,000 throughout the year to report according to the simplified reporting method.

### Part A: Simplified reporting method

For each type of property that applies to you, check (✓) the appropriate box.

#### Type of property:

- Funds held outside Canada ..... ☐
- Shares of non-resident corporations (other than foreign affiliates) ..... ☐
- Indebtedness owed by non-resident ..... ☐
- Interests in non-resident trusts ..... ☐
- Real property outside Canada (other than personal use and real estate used in an active business) ..... ☐
- Other property outside Canada ..... ☐
- Property held in an account with a Canadian registered securities dealer or a Canadian trust company ..... ☐

#### Country code:

Select the top three countries based on the maximum cost amount of specified foreign property held during the year. Enter the country codes in the boxes below:

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Income from all specified foreign property \$ \_\_\_\_\_

Gain(loss) from the disposition from all specified foreign property \$ \_\_\_\_\_

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(Ce formulaire existe en français.)

**Canada**

## Reminder of the Detailed Reporting Method

If you hold “specified foreign property” with a Canadian registered securities dealer, you have two options available regarding Form T1135:

### 1 – “Report by Account and by Country” — Category 7 of Form T1135.

This section applies only to foreign properties held with a Canadian registered securities dealer or a Canadian trust company. In this category, for each account held at a securities dealer or trust company, you must identify the aggregate amount by country and indicate:

- ▣ the maximum fair market value during the year (which may be based on the maximum month-end fair market value);
- ▣ the fair market value at the end of the year;
- ▣ the income (losses) from foreign properties; and,
- ▣ the gains (losses) resulting from the disposition of the asset.

### 7. Property held in an account with a Canadian registered securities dealer or a Canadian trust company

Name of registered security dealer/Canadian trust company	Country code	Maximum fair market value during the year	Fair market value at year-end	Income	Gain (loss) on disposition
<b>Total</b>					

2 – “Asset by Asset Report”: this section requests, for each of the foreign properties, the following information:

- ▢ the name of the foreign corporation or foreign entity;
- ▢ the country to which the asset belongs;
- ▢ the maximum cost amount during the year;
- ▢ the cost amount at the end of the year;
- ▢ the income (losses) derived from the asset; and,
- ▢ the gain (losses) resulting from the disposition of the asset.

Categories 2, 3 and 4 of Form T1135 are the most commonly used.

## Part B: Detailed reporting method

### Categories of specified foreign property

In each of the tables below, provide the required details of each specified foreign property held at any time during the particular tax year. If you need additional space, please attach a separate sheet of paper using the same format as the tables.

A taxpayer who held specified foreign property with a Canadian registered securities dealer or a Canadian trust company is permitted to report the aggregate amount, on a country-by-country basis, of all such property in Category 7, *Property held in an account with a Canadian registered securities dealer or a Canadian trust company*. See attached instructions for Category 7 for details as to how to report under this method.

#### 1. Funds held outside Canada

Name of bank/other entity holding the funds	Country code	Maximum funds held during the year	Funds held at year end	Income
<b>Total</b>				

#### 2. Shares of non-resident corporations (other than foreign affiliates)

Name of corporation	Country code	Maximum cost amount during the year	Cost amount at year end	Income	Gain (loss) on disposition
<b>Total</b>					

#### 3. Indebtedness owed by non-resident

Description of indebtedness	Country code	Maximum cost amount during the year	Cost amount at year end	Income	Gain (loss) on disposition
<b>Total</b>					

#### 4. Interests in non-resident trusts

Name of Trust	Country code	Maximum cost amount during the year	Cost amount at year end	Income received	Capital received	Gain (loss) on disposition
<b>Total</b>						



## Other Relevant Information to Complete Form T1135

In the "Instructions" section of Form T1135, the CRA states that it allows the designation of "Other" as the country code if you are unable to identify the country.

Excerpt from the CRA's Guide:

### Country codes

For the list of country codes, refer to the CRA's website at:

[https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4061/nr4-non-resident-tax-withholding-remitting-reporting-2016.html#P482\\_43418](https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4061/nr4-non-resident-tax-withholding-remitting-reporting-2016.html#P482_43418)

The country code for each category should identify the following:

- Category 1 – the country where the funds are located
- Category 2 – the country of residence of the non-resident corporation
- Category 3 – the country of residence of the non-resident issuer
- Category 4 – the country of residence of the trust
- Category 5 – the country where property is located
- Category 6 – the country where property is located
- Category 7 – depending on the type of property, use the instructions above for categories 1 to 6.

If you are uncertain of the appropriate country code for a particular specified foreign property, select "Other".

As well, the Chartered Professional Accountants (CPA) website provides a document which answers several questions regarding Form T1135. Note that some questions were analyzed or commented on by CRA:

CPA website "New Form T1135: What's Changed":

<https://www.cpacanada.ca/en/connecting-and-news/blogs/tax-blog/2016/january/new-form-t1135-whats-changed>

## The Client's Responsibility

It is your responsibility to adequately complete Form T1135. You can mandate an expert to help you with the foregoing. National Bank of Canada, its subsidiaries and their advisors do not offer this service. For information purposes only, NBDB can provide certain information regarding your foreign securities held at NBDB, which should help you complete Form T1135.

You agree to release NBDB, its employees, agents, representatives and officers, even in case of gross negligence or misconduct on the part of NBDB or the latter, from and against all liabilities, claims, losses and/or damages (including legal fees and expenses) and from all proceedings, claims or any other cause of action as to the accuracy of the information herein (as well as in the mentioned documents and statements) and the fiscal impacts resulting from their use.

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